

~~SECRET~~

~~CONFIDENTIAL~~

COPY NO. *EL*

OCI NO. 6090/60

22 December 1960

CURRENT INTELLIGENCE WEEKLY SUMMARY



DOCUMENT NO. *6*
NO CHANGE IN CLASS. ☐
1.1 DECLASSIFIED
CLASS. CHANGED TO: TS S *C* *01920* 25X1
NEXT REVIEW DATE:
AUTH: HR 70-2
DATE *21-5-82* REVIEWER:

CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

~~CONFIDENTIAL~~

~~SECRET~~

25X1

State Department review completed

THIS MATERIAL CONTAINS INFORMATION AFFECT-
ING THE NATIONAL DEFENSE OF THE UNITED STATES
WITHIN THE MEANING OF THE ESPIONAGE LAWS,
TITLE 18, USC, SECTIONS 793 AND 794, THE TRANSMIS-
SION OR REVELATION OF WHICH IN ANY MANNER TO
AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

The Current Intelligence Weekly Summary has been prepared
primarily for the internal use of the Central Intelligence
Agency. It does not represent a complete coverage of all
current situations. Comments and conclusions represent the
immediate appraisal of the Office of Current Intelligence.

Page Denied

Next 6 Page(s) In Document Denied

25X1

25X1

25X1

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****22 December 1960****PART I****OF IMMEDIATE INTEREST****EAST-WEST RELATIONS**

Soviet diplomats continue to indicate to American officials that the Kremlin views the change in administration as a favorable opportunity to improve relations. In the latest and most direct approach, a member of the Soviet UN delegation, Nikolay Kulebyakin, on 17 December suggested to a US delegate that the Soviet and US delegations meet quietly in New York after 20 January to exchange views concerning the possibility of a summit meeting.

The Soviet delegate stated that "the slate should be wiped clean of past problems," and asserted that the U-2 episode would be dropped as an issue. He also volunteered the view that the case of the RB-47 crew "should not and would not stand in the way of renewed high-level contacts," observing that the "issues at stake are too great to permit this." Kulebyakin said he was sure that if the Soviet Government became convinced the new US administration intended to seek restoration of good relations, the men would be released.

At a press conference on 21 December at the close of the first session of the UN General Assembly, Soviet chief delegate Zorin made a cautious reply to a question whether Khrushchev would press his demands concerning the U-2 after 20 January. Zorin said that Soviet decisions in this matter "rather depend on further development of relations between the United States and the Soviet Union." He added that the USSR was ready for "co-

operation" with the new US administration in solving the problems confronting the UN.

There have been earlier indications of Soviet willingness to make some concessions on the U-2 and RB-47 issues as preparatory steps to a renewal of East-West negotiations on the highest level. In mid-November the Burmese ambassador to the UN stated privately that a Soviet delegate had told him that, in deference to the incoming US administration, the USSR might voluntarily withdraw its U-2 item from the agenda. A few weeks later a Soviet Foreign Ministry official in Moscow hinted to US Ambassador Thompson that some move on the release of the RB-47 crew might be forthcoming if the proper framework could be found.

On 17 December, however, Soviet Ambassador Menshikov, in reply to a formal query about the fate of the RB-47 crew, stated that the men would probably be put on trial. Menshikov has presumably been instructed to maintain the public Soviet position on the RB-47 incident when acting in his official capacity.

Soviet policy-makers may believe that dropping UN debate on the U-2 issue could be portrayed as a major concession toward establishing a new conciliatory atmosphere for contacts with the new US administration. Although well aware of the possible embarrassment which might result from statements of the RB-47 crewmen after their release,

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960

Moscow apparently attaches higher priority to eliminating obstacles to a summit. Kulebyakin stated that since neither the American nor the Soviet version of the RB-47 incident could be publicly proved, the Soviet Union would simply ascribe any statements adverse to the Soviet Union by the crew members to "brainwashing" after their return.

Following the line first established by First Deputy Premiers Mikoyan and Kosygin on 6 December in talks with Ambassador Thompson, Kulebyakin stressed the Soviet "victory" over the Chinese at the recent Moscow conference and minimized the importance of the attacks on the US. He asserted that, just as the US has trouble with its allies, the USSR has trouble with the Chinese.

The Soviet delegate also indicated concern over American reaction to sharp Soviet attacks in the UN and recommended that US delegates should not let the public exchange of recriminations "color their thinking about fundamental issues." This comment was made on the day the Congo debate reached its peak.

At the conclusion of the NATO Council meeting in Paris on 18 December, Moscow launched a violent propaganda attack against the Western alliance. The USSR denounced the US proposal to organize a NATO force with medium-range ballistic missiles at its disposal--including a number of nuclear submarines armed with Polaris missiles--as a measure "to stimulate world tension and undermine peace." Moscow cautioned the United States that such a move would not protect it from nu-

clear retaliation should NATO strike first. Soviet concern over Polaris-equipped nuclear submarines was expressed on 11 December in a TASS statement protesting the establishment of a US submarine base near Glasgow.

Although Soviet spokesmen at the UN and propaganda media continue to excoriate Western actions, Moscow has adopted a cautious and noncommittal attitude toward future US policy in reporting recent cabinet appointments announced by President-elect Kennedy. The Soviet press reported without comment the appointment of Dean Rusk as Secretary of State, although some radio comments implied that his connection with the Rockefeller Fund is a black mark against him. In reporting McNamara's appointment, the Soviet press gave a brief factual summary of his background, and Moscow TV followed suit but with an unfriendly allusion to his connection with Ford.

Moscow may be considering a change in ambassadors in Washington; Yurey Zhukov, chairman of the State Committee for Cultural Relations With Foreign Countries, will reportedly replace Ambassador Menshikov--a move which would probably be intended as a gesture to the new US administration for a fresh start in Soviet-American relations. Since Zhukov has a background of extensive dealings and negotiations with Western governments, the Kremlin might also intend his appointment as an opportunity for increased contacts. Menshikov's appointment in early 1958 coincided with the campaign for a summit meeting, and in private remarks he created the impression that he was chosen specifically to aid in arranging high-level contacts and improving relations. 25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

22 December 1960

FRANCE-ALGERIA

De Gaulle's first formal appeal for massive national backing in the January referendum on Algerian policy was directed primarily to overcoming leftist and center opposition to his Algerian policy. Despite the reassurances to Algerian settlers in his 20 December speech, the government is limiting the campaigning activities of rightist elements generally and continues its crackdown on those suspected of subversion.

De Gaulle's speech also coupled renewed overtures to the rebel leaders with virtual recognition that they constitute the principal element among the various Algerian factions which will decide Algeria's political future. The rebel leadership will probably be encouraged to maintain a tough bargaining position as a result of the UN General Assembly's assertion on 19 December that the UN has a responsibility to assist the self-determination process in Algeria.

De Gaulle's speech contained elements designed to appeal to almost all segments of the French and Algerian electorate, but the part which is drawing most attention is the renewed offer to meet with the leaders of the Algerian National Liberation Front (FLN). De Gaulle's phrasing was apparently intended to rally the large part of the French public which is increasingly convinced that only negotiations will end the fighting. Especially since De Gaulle's 9-13 December trip to Algeria, many left and center political

leaders feel a solution without FLN participation is unworkable. To win their support and also to encourage the FLN to negotiate, De Gaulle for the first time singled out the leaders of the rebellion as "notably" among those who would meet to decide the conditions of self-determination.

Furthermore, in leaving unclear the method by which a cease-fire would be achieved, De Gaulle has raised the possibility of a way around this stumbling block. As a means of opening the way to political discussions, he may be considering either a *de facto* cease-fire agreed to by the FLN without formal prior negotiations or a unilateral announcement by the French that a cease-fire is in effect.

The first reaction of the Paris press was that the broad statement of his program will help swing hesitant voters to De Gaulle's side in the referendum. Rightists in France and Algeria were skeptical, however, that the guarantees De Gaulle outlined for Europeans in Algeria and Moslems who wished to remain French could be made to work.

A French military spokesman in Algiers said the army would approach the referendum in an attitude of "cold correctness, above politics." However, there is evidence of a growing split between French military and political leaders in Algeria, particularly over the likelihood that De Gaulle will find a viable solution to the Algerian problem.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

22 December 1960

The civil and political sections of the Delegation General, probably as a result of the government's policy of removing from office those not fully in accord with De Gaulle's Algerian program, are optimistic that he will find a way to bring the Moslem and European communities together under an autonomous Algerian government.

accorded political parties with parliamentary representation. The crackdown on rightists involved in the Algiers riots continues. Retired General Salan has been ordered to return to France from Spain, but he has indicated he does not intend to comply, at least immediately.

The Algerian rebels have been encouraged by the pro-FLN attitude of the rioters and by subsequent expressions of international support and sympathy for the victims. The rioters' use of moderate rebel Premier Ferhat Abbas' name as a rallying call may also have enhanced his influence within the FLN.

The FLN is reportedly determined to refuse to deal with any Algerian administration De Gaulle sets up following the referendum to take place in Algeria on 6, 7, and 8 January, and in metropolitan France on 8 January. Tunisians close to the rebel government believe that De Gaulle now has no alternative but to negotiate directly with the FLN.

Some Tunisians think that the rebels will refuse any overtures unless the UN has "some part in the proceedings."

the FLN would want to rely on the UN mainly for its good offices in arranging the initial meeting and providing a neutral site. However, the FLN may ask greater UN participation in view of the resolution passed by the General Assembly on 19 December which recognizes the responsibility of

As part of the program to restrict campaign activities of rightist political groups opposed to De Gaulle's program, the government refused to Jacques Soustelle and the rightist "Unity of the Republic" parliamentary group the use of government publicity facilities

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

22 December 1960

the UN to assist in implementing Algerian self-determination. This resolution fell short of the rebels' original aim, but it was nevertheless a significant victory for them.

The Sino-Soviet bloc and the Arab press have strongly condemned the "massacre" of Algerian Moslems. There have been sporadic "free Algeria" demonstrations in Libya, and the Tunisian foreign minister called personally on Ferhat Abbas to present condolences.

In Morocco, King Mohamed V has announced plans for an African^{25X1} summit meeting this month to examine the Algerian and Congolese questions.

CUBAN AND MIDDLE AMERICAN DEVELOPMENTS

Negotiations in Moscow and Havana have resulted in new and more extensive Cuban-Soviet trade and assistance commitments. Details have not been released, but Cuban officials have estimated that trade next year with the Soviet Union will amount to more than \$200,000,000 each way --roughly a third of total Cuban trade. Indications are that this is a reasonable estimate.

In the joint communiqué signed in Moscow on 19 December by Che Guevara and Mikoyan, the USSR expressed its determination "to take all measures within its power" to help Cuba combat US "economic aggression" by providing Cuba with all vital imports it cannot get elsewhere. The Soviet Union also agreed to buy up to 2,700,000 tons of sugar from Cuba if the United States "carried out its threat" not to buy Cuban sugar. Sugar purchases are to be paid for in oil and other Soviet exports and valued at four cents a pound; the world market price is 3.25 cents, and the US has been paying 5.95 cents. It is not clear whether this formula applies to the total amount or

to that in excess of the 1,000,-000 tons the USSR had earlier agreed to purchase in 1961.

In the communiqué Cuba endorsed all the major Soviet foreign policy goals, specifically emphasizing proposals on peaceful coexistence and general disarmament. The Cuban mission, after expressing its gratitude for Soviet economic and technical aid, added that Khrushchev's statement of support was the "most important aspect" of Soviet assistance. The communiqué did not repeat the ambiguous missile threat but instead referred to the USSR's readiness to render Cuba "full support" in upholding its independence in the face of aggression.

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

22 December 1960

In an address on the eve of his departure from Moscow on 19 December, Guevara said that the new Cuban-Soviet agreements will help Cuba develop its ferrous metallurgy, oil, mining, and power industries, and that the nearly 100 plants being constructed in Cuba with bloc assistance will provide the foundation for Cuba's small and medium industries.

In an earlier address in Moscow, Guevara told his audience that in the struggle with the United States, Cuba's "principal hope" lies in the force of "the socialist camp" and that the "hand of friendship extended by the Soviet Union shields us from the enemy like an invisible armada."

Havana's establishment of diplomatic relations with Albania and Hungary, announced on 16 and 18 December, leaves East Germany the only bloc country with which Cuba does not have formal diplomatic relations. On his departure from East Germany on 17 December after concluding a five-year trade agreement there, Guevara declared that East Germany and Cuba will establish diplomatic relations "at the proper time ...and with due regard for their mutual interests."

Fidel Castro, in a speech on 20 December, threatened to dump large quantities of Cuban sugar on the world market at sacrificial prices if other sugar producers expand production in an effort to benefit from Cuba's exclusion from the US market.

25X1

25X1

The American chargé in Havana noted on 16 December that this attitude is widespread among Western governments represented diplomatically in Havana. He said there is probably not a single foreign chief of mission in Havana, with the exception of certain Latin American ambassadors, who has condemned to high Cuban officials the violations of human rights by the Castro regime or criticized its rapprochement with the Sino-Soviet bloc.

The chargé referred to a number of ambassadors, including the British, Japanese, and Canadian, as personally sympathetic to the US policy toward Castro, but indicated that the evident policy of their governments is such that "they gladly leave the Cuban situation to us."

On the domestic scene, the Castro regime is meeting continued resistance from a number of sources which, although generally uncoordinated, are becoming increasingly troublesome. Castro himself admitted that the sabotage in Havana's leading radio-TV offices on 15 December destroyed equipment valued at up to \$1,000,000.

The regime is also having difficulty with Cuba's estimated

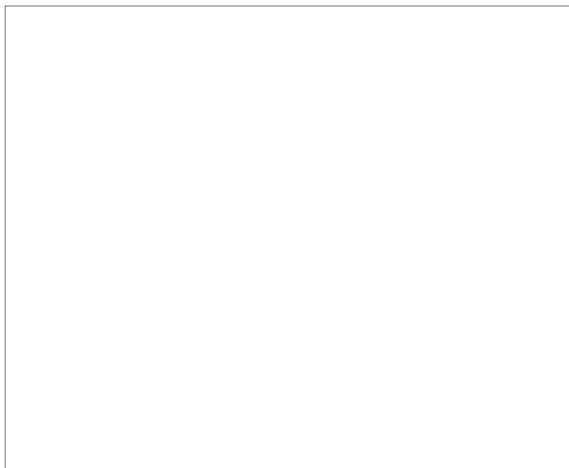
SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960

65,000 "colonos" the sugar growers who produce the bulk of Cuba's cane on small to medium land holdings. The "colonos" are apparently resisting efforts to organize them into cooperatives, and all but about 200 of them boycotted a sugar congress convoked on 19 December by Castro.

Central America

In neighboring El Salvador, pressure from a Communist-front political party resulted on 16 December in the dismissal of all municipal officials who had been elected to office under the regime ousted last October. This is an important success for Communists and other leftists in their efforts to increase their influence in rural areas, where peasants are already being organized by the Communist-controlled labor confederation.

Dominican Republic

The Trujillo dictatorship, faced with the prospect of further economic sanctions by the Organization of American States (OAS), continues its efforts to convince the United States that continued external pressure will drive the Dominican Government into closer ties with the Sino-Soviet bloc. The American Consulate has received information that the Dominican Embassy in Paris is taking steps to establish diplomatic relations with Rumania, Bulgaria, and Albania. Another source, considered excellent by the consulate, repeated as fact earlier inspired press reports in the Dominican Republic that Trujillo has requested agreement for an ambassador to Moscow.

It is doubtful, however, that the USSR presently is interested in resuming relations with Trujillo, which lapsed in 1946. Moscow radiobroadcasts of 15 December condemned the Trujillo dictatorship for its "acts of provocation against Cuba."

Meanwhile, the local and provincial "elections" of 15 December are widely recognized in the Dominican Republic as having been a farce. Local dissidents, who had been becoming increasingly disillusioned after the OAS sanctions approved last August failed to result in Trujillo's fall, are cheered by the consideration now under way in the OAS of more stringent sanctions.

25X1

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

22 December 1960

CONGO

Colonel Mobutu continues to build up his forces in and around Orientale Province for a possible attack against Gizenga's dissident forces in Stanleyville. Mobutu appears hesitant because he has insufficient logistical support for a campaign in an area so remote from Leopoldville.

Although information concerning the dissident forces is sketchy, Gizenga appears dependent on a hard core of pro-Lumumba militia numbering around 250. Congolese Army troops in the area are believed to number about 3,000, a considerable number of them loyal to Mobutu. Neither Gizenga nor Mobutu appears confident of his control over army forces in Orientale Province.

According to an American Embassy officer visiting Stanleyville, the recent calm there is deceptive and an anti-white explosion could take place at any time. He characterized the economic situation as "at a dead end," with food and gasoline in short supply. Anti-American sentiment was said to be strong.

The dissidents' claim to represent the legal Congolese government has increased the danger of foreign intervention apart from aid shipments to Stanleyville. The UAR on 20 December agreed to a proposal by Ghanaian President Nkrumah for the foundation of a "joint African command," presumably comprised of African contingents now under the UN Command. Nkrumah has argued that countries such as the UAR and Morocco--which have stated their intention to withdraw from

the UN Command--should not physically pull out of the Congo but should move to assist the dissidents in all ways possible.

The USSR has apparently laid the groundwork to participate in supplying material aid to Gizenga's group.

25X1

25X1

the USSR has obtained permission to overfly the UAR en route to Stanleyville and is now applying strong pressure on Sudan for similar permission. Moscow appears, however, to be awaiting the outcome of developments affecting Stanleyville and the attitude of the African and Asian countries toward Gizenga's "government" before making any moves toward recognizing the rump regime.

25X1

Following the General Assembly's decision to adjourn and resume discussion of the Congo question next March, Zorin asserted that the assembly was paralyzed by "colonialist subversion" and hinted that the Soviet Union may call for an emergency meeting of the Security Council during the UN recess.

In Leopoldville, President Kasavubu has made little progress toward a restoration of civil government. He has conceded that he and Mobutu are at odds concerning the future of Mobutu's

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960

commissioners. Whereas Mobutu is disposed toward the appointment of a premier who would retain the commissioners as his cabinet, Kasavubu desires to restore the Ileo cabinet which he named after dismissing Lumumba. Mobutu appears unlikely to support any governmental reshuffle which he feels might hinder a campaign against the Gizenga dissidents.

The American Embassy observes that members of the Congolese parliament, including anti-Lumumba legislators, are resentful toward the commissioners. Their antipathy appears to stem from annoyance at their enforced inaction in Leopoldville, and from cavalier treatment accorded them by the commissioners. Some legislators have observed that anti-Lumumba sentiment in parliament may eventually be turned on Kasavubu. 25X1

LAOS

The Communist airlift into Laos is strengthening Pathet Lao capabilities for prolonging military activity and inhibiting chances for a stable anti-Communist government. Soviet IL-14s have been noted dropping supplies north of Vientiane through 21 December. The emergency nature of the airlift activities underscores the seriousness with which the bloc views the Laotian situation and its determination to quickly reinforce the position of Communist and pro-Communist fighting elements. There are unconfirmed reports that North Vietnamese troops are participating with the Pathet Lao in operations around Nong Het near the North Vietnamese border.

Concerted bloc moves during the past week in reaction to events in Laos are probably designed to generate international alarm and build pressure for reconvening the 1954 Geneva conference members and reactivating the International Control Commission (ICC) in Laos and, possibly, for taking the issue to the United Nations Security Council.

Typical of the bloc's ominous but unspecific threats about Laos, Chinese Communist Defense Minister Lin Piao stated on 21

December that Peiping would "exert utmost efforts to safeguard the Geneva agreements and put a stop to US intervention and aggression in Laos." Lin Piao's comment, made in a greeting honoring North Vietnam's Army Day, was almost identical to an official Chinese Communist statement of 14 December and to other bloc charges condemning "aggressive actions" by the US and its SEATO allies and calling for united international action to "protect the Geneva agreements and restore peace in Laos."

Bloc pronouncements, including that of the North Vietnamese ambassador to Peiping, who said at a press conference on 20 December that the war in Laos "could possibly grow bigger," have carefully avoided public commitment to any specific countermeasure. 25X1

Both Communist China and North Vietnam

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****22 December 1960**

ed. The Burmese Government issued a statement on 20 December suggesting that a UN neutral commission be formed to "find ways of solving the conflict in Laos."

Both Britain and France, strong supporters of the neutralist concepts of the former Souvanna regime, view the establishment of the new rightist regime as inviting a strong Communist reaction that will make it essentially unworkable. The UK apparently would be amenable to the return of the ICC as a means of reducing tension in the area, providing the Laotian Government could be persuaded to accept its revival. Although France was opposed to the ICC's return while Souvanna was in office, 25X1 it may now find the suggestion desirable.

have stated publicly that the crisis in Laos constitutes a threat to their own security.

Citing the dangers of the Laotian situation and repeating the charges against the US, North Vietnam on 17 December proposed another Geneva Conference and reactivation of the ICC for Laos. Peiping has endorsed this proposal, and India's Prime Minister Nehru has suggested that Great Britain and the USSR--co-chairmen of the Geneva Conference--at least consider reactivation of the ICC in Laos.

Further support for Hanoi's proposal came from Cambodia's Prince Sihanouk when he told a rally in Peiping that a "new Geneva conference should be call-

The USSR has so far remained silent on these proposals, but it seems likely that Moscow soon will respond by formally approaching London on a reconvention of the 1954 Geneva participants and reactivation of the Laotian ICC.

The bloc diplomatic and propaganda reaction to Laos appears, in the initial phase, designed to prepare the way for political maneuvers aimed at deterring further support for Phoumi and any action by him to establish an effective government. In addition to pressing for another Geneva conference and the reactivation of the ICC in Laos, the bloc probably intends

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960

to take this issue to the UN where it would hope to score heavily against the US in debate in the Security Council.

There are no firm indications at present that the bloc intends to send regular army units into Laos. The heavy stress on the alleged direct involvement of American, Thai, South Vietnamese and Chinese Nationalist personnel in Laos, however, could be used by the Communists as a justification for more direct military action in the future. The decision would be dependent in part on the bloc's estimate of its chances for success in achieving a military or political settlement acceptable to the Communists.

Phoumi's attack on Vientiane was launched exactly one week after the publication of the Moscow declaration of 81 Communist parties. This cited Laos, along with the Congo, as an example of a country in which the "criminal actions by the imperialists" are being dealt "an increasingly decisive rebuff." The vigorous political and military response of Communist leaders to Phoumi's capture of the city suggest they regard events in Laos as a test of the resolution and strength underlying the Moscow declaration. The declaration also said that the "socialist" countries "consider it their duty to render every moral and material support to peoples struggling for their liberation from imperialist and colonial oppression."

Captain Kong Le, following his unsuccessful defense of Vientiane, has withdrawn northward, apparently with the bulk of his force intact. He appears to have taken with him much of the artillery provided him by the USSR prior to the fall of Vientiane to General Phoumi's forces. His force is estimated to number about 700 men, about half of which are elements of

the Second Paratroop Battalion and the remainder irregulars drawn from the leftist youth movement which sprang into existence after Kong Le's 9 August coup. The Kong Le force is now believed to be about 40 miles north of Vientiane, near the area in which aerial reconnaissance has observed Soviet IL-14s airdropping supplies.

Premier Boun Oum and General Phoumi, apparently highly optimistic after the recent victory at Vientiane, plan a three-pronged operation against Kong Le and the Pathet Lao in north-central Vientiane Province, the initial phases of which may already have begun. According to one report, commando elements under Major Siho were moving up the road between Vientiane and Luang Prabang and were expected to come in contact with Kong Le's forces shortly.

The ultimate objectives of the operation, which will employ about five battalions, apparently are to prevent Kong Le from linking up with Pathet Lao elements and to seize certain Pathet Lao strongholds. Judging from the past accomplishments of Laotian Army sweeps, these objectives will probably not be attained; however, there is some possibility that Kong Le may be driven away from the main road to Luang Prabang, which would hinder his use of artillery.

Should Kong Le avoid serious losses in the impending Phoumi operation, he is likely to link up with the Pathet Lao. After regroupment, integration of the groups' command structure, and aerial supply by Soviet IL-14s, this force would pose a serious guerrilla threat to the Boun Oum government. While Luang Prabang, where the King resides, would appear to be an attractive objective, Kong Le and the Pathet Lao might find the capture of Xieng Khouang and the nearby military base on

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960

the Plaine des Jarres more within their capabilities. There is an airfield there, and overland support from North Vietnam would become possible.

There are already reports that other Pathet Lao elements are exerting pressure on Nong Het, not far from the North Vietnamese frontier in Xieng Khouang. The Pathet Lao already control most of Sam Neua Province and southeastern Phong Saly Province; both areas are contiguous with North Vietnam.

The new Boun Oum government is gradually establishing itself in Vientiane. Premier Boun Oum's first public pronouncements suggest that the new regime will make little effort to soft-pedal its rightist and anti-Communist orientation. He has rejected out of hand proposals for reactivation of the ICC for Laos, and his information minister has been quoted to the effect that Laos would join SEATO if it became necessary in Laos' defense against "foreign imperialism."

Phoumi meanwhile appears resistant to suggestions that the credentials of the Boun Oum regime be strengthened through formal investiture by the National Assembly.

Such a position in effect makes the Boun Oum government a revolutionary regime and as such may give neutralist countries, which tend to be ill-disposed toward the regime, a pretext for continuing to recognize the recently ousted Souvanna Phouma government as the legal government of Laos.

Souvanna remains in exile at Phnom Penh, where he is being courted by both sides in the struggle for control of Laos. The Communists would clearly like to have Souvanna in Sam Neua, where his presence would give an aura of legitimacy to any rival government they might set up there. A new station, professing to speak for the "Government of the Kingdom of Laos," is now on the air; it is probably located at Sam Neua. Representatives of Phoumi are also in contact with Souvanna, hoping to induce him to drop any plans he has to proclaim a government-in-exile in Cambodia or elsewhere.

Souvanna's intentions are unclear, but it is possible he may just sit tight to keep himself available as a middleman should international pressure force negotiations between the left and the right in Laos.

* * *

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960

PART II

NOTES AND COMMENTS

EAST GERMANS URGE BONN TO REINSTATE INTERZONAL TRADE PACT

Since party boss Ulbricht returned on 2 December from the Moscow conference of world Communist leaders, the East German regime has exhibited a willingness to make concessions to Bonn at the secret trade talks in order to gain the reinstatement of the interzonal trade agreement due to lapse on 31 December. East German media have nevertheless continued to reiterate threats to Berlin access if the pact expires, and the talks may well become deadlocked if the East German position hardens.

In his report to the Socialist Unity party (SED) plenum on 15-17 December, published on 18 December, Ulbricht declared that his government would not attempt to use the trade negotiations to extort some degree of diplomatic recognition from Bonn, adding "the question of recognition and the establishment of normal relations can be put aside until a summit conference or until a peace treaty has been concluded." He went on to warn, however, that the lapse of the trade agreement and its accompanying annexes would cause "serious disturbances" in rail communications between West Berlin and West Germany, claiming that arrangements for Western military rail access are provided for by an annex to the pact.

In his initial talks with West German negotiator Leopold, East German representative Behrendt have no hint of willingness to make concessions. Later, there were indications that the regime was prepared to make practical--although not "political"--concessions. There

are no signs, however, that the East Germans will alter their position on the key issue: Bonn's demand for a formal withdrawal of the East German decree of 8 September requiring West Germans to secure permits to visit East Berlin.

In return, the East Germans probably would ask for the withdrawal of Bonn's ban on the participation by West German firms in the important Leipzig fair in March. They are also campaigning against the present limitations on the grant of permits to Germans for travel in the West, which they blame on Bonn.

The apparent change in the East German position at the trade talks suggests that the East Germans were unable to elicit from the USSR the promise of immediate economic support which they would require in order to carry out their present economic plans if interzonal trade is sharply reduced or severed. Moscow is reported to have said it would prefer that the East Germans arrange for continuance of trade on the former basis, if this could be done without making significant concessions, although it would provide long-term aid, if necessary. Earlier, the USSR reportedly refused to grant the East Germans financial assistance to purchase goods in the West in order to replace those no longer obtainable from West Germany.

A report from Ambassador Dowling in Bonn on his conference with Soviet Ambassador Pervukhin on 16 December suggests that

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960

Moscow is not interested in a showdown on the Berlin problem at this time. Pervukhin emphasized that Soviet-US problems concerning Berlin access could always be settled in bilateral talks, provided the US paid due regard to East German "sovereignty."

To prod Bonn into quick action, East German media are reiterating far-reaching threats to Berlin traffic in the event trade lapses. Neues Deutschland on 19 December strongly played up Ulbricht's threat that Allied military traffic would also be subjected to "serious disorders," adding that the East German Government would propose to the Western com-

mandants in Berlin a special arrangement to cover traffic problems. Neues Deutschland also sharply attacked Bonn's claim to speak for West Berlin in any negotiations, suggesting that the East Germans will make an attempt to gain some concession on this point.

In this situation, Ulbricht is apparently maneuvering to induce the West Germans to reinstate the trade agreement on terms which can be publicized as a West German breakdown. He could cite a refusal of his offers by the West Germans as "proof" that West German "militarists" are attempting to increase international tension and destroy German unity.

25X1

25X1

SOVIET 1961 BUDGET AND PLAN

The USSR 1961 budget, announced by Finance Minister Garbuzov, reveals that revenues are to be increased nearly 7 percent and expenditures 5 percent over 1960. Heavy industry receives the greatest emphasis as usual, but there is to be a sizable increase in the percentage allocated to light industry.

The only defense category in the budget, labeled "expenditures for the maintenance of the armed forces," indicates a planned expenditure of 9.255 billion new rubles (92.55 billion present rubles)--12 percent of the entire budget. Some reduction--the 1961 announced allocation is down approximately 3.6 percent from 1960--was expected, in view of Khrushchev's announcement last January that the Soviet armed forces were to

to be reduced by one third. At that time Khrushchev estimated that the measure would represent a savings of 16 to 17 billion (old) rubles annually.

Many military expenditures, however, such as those for research and development, the

SOVIET PRODUCTION OF SELECTED COMMODITIES
(MILLION METRIC TONS)

	ACTUAL 1959	EXPECTED 1960	PLAN 1961	PLAN 1965
PIG IRON	43.0	47.1	51.2	65-70
CRUDE STEEL	59.9	64.9	71.3	86-91
ROLLED STEEL	47.0	50.2	55.3	65-70
CRUDE OIL	129.5	144.0	164.0	243
ELECTRIC POWER (BILLION KILOWATT HOURS)	265.0	295.0	327.0	520
GROSS INDUSTRIAL PRODUCTION (PERCENTAGE INCREASE)	11	10	8.8	8.6
CENTRALIZED INVESTMENT (PERCENTAGE INCREASE)	13	13.3	12.6	8.3

25X1

01721 6

22 DECEMBER 1960

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960

atomic energy program, and possibly sizable amounts for military hardware, are concealed in other budget categories. Appropriations for science will increase 15.6 percent.

The outline of the economic plan for 1961 was presented to the Supreme Soviet by Gosplan chief V. N. Novikov. The plan targets for 1961 and prospects revealed for 1960 bear out the official contention that the gross industrial Seven-Year Plan (1959-65) goal, as well as goals for most of the major industrial products, will be fulfilled ahead of schedule..

Gross industrial production is planned to increase 8.8 percent in 1961. While this is only slightly higher than the 8.6 percent contemplated in the Seven-Year Plan, the actual achievements in 1959 and 1960 averaged nearly 11 percent, with smaller planned increases than stated for 1961.

The likelihood that seven-year goals will be met ahead of schedule is supported by the 12.6-percent planned increase in centralized investment announced for 1961. This is about the same as that planned and probably achieved in 1959 and 1960. Moreover, the planned increases for all three of these years is about 50 percent higher than the annual average rate contemplated for 1959-65. As much as two thirds of the total increase in 1961 investment will be channeled into ferrous metallurgical, chemical, and light industries. In addition, the

state labor force is planned to increase by 3,200,000 during 1961. While a considerable portion of this increase will be accounted for by transfers from collective to state farms--hence not a net gain--it is large enough to imply a considerable boost in manpower directly related to the industrial program.

The TASS summary of Novikov's report contains the usual extravagant hopes but reveals little on the present state of agriculture. According to Reuters, he admitted this year's poor grain harvest and difficulties in meat production but claimed that 1960 grain production would still exceed the 1959 level. Reported planned investment in state agriculture is considerably higher than contemplated in the Seven-Year Plan.

Housing construction as previously implied by the Seven-Year Plan will level off or decline in 1961, thus breaking a string of substantial year-to-year increases started in 1957. Some 1.033 billion square feet (96,000,000 square meters) of state and private housing is planned for 1961. The earlier announced cessation of loans for private housing probably will bring about a sharper curtailment of such construction than contemplated for 1961, and if continued will reduce the otherwise good chance for a substantial overfulfillment of the Seven-Year Plan housing goal.

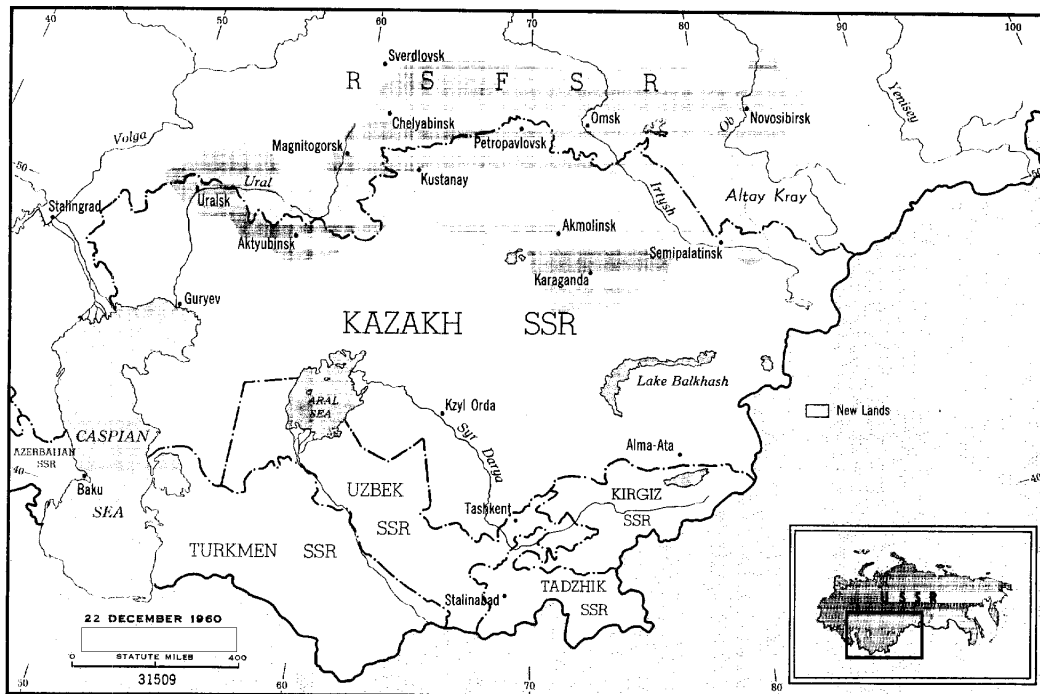
25X1

SOVIET NEW LANDS PROGRAM UNDER REVIEW

A critical review, now in progress, of the Soviet New Lands program--in which vast areas in Kazakhstan and Siberia have been cultivated for grain

--may result in a more rational approach to this venture. Recent articles in the Soviet press by writers closely associated with Khrushchev's

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****22 December 1960**

agricultural program point to defects in planning for the New Lands and suggest that Minister of Agriculture Matskevich may be held responsible.

One of the writers, A. Shevchenko, is an adviser to Khrushchev in agricultural matters. While defending the New Lands program in general, he points out certain fundamental problems which require immediate attention, including a shortage of permanent personnel, an inadequate equipment pool, disagreement over the planting time for grain, a lack of grain storage facilities, poor seed stock, and a glaring disregard for the recommendations of specialists.

Shevchenko feels that the abolition of the machine-tractor stations (MTS) disrupted grain production in the New Lands kolkhozes. The tasks of seeding, harvesting, and delivering grain were shifted from the ex-

perienced permanent MTS cadres to the kolkhozes, which had to depend on imported workers. He recommends the conversion to state farms of the many kolkhozes which do not have sufficient permanent cadres and must import large numbers of seasonal workers. This proposal could signal the virtual end of the kolkhoz system in the New Lands.

Matskevich has been attacked personally in the Soviet press. One critic, V. Ovechkin, who has been close to regime thinking on rural matters, was apparently attempting to disassociate the minister from his role as champion of the technical specialists when he implied that Matskevich gives only lip service to the importance of their work. After quoting from Matskevich's speech last June to the All-Union Conference of Agricultural Specialists in which he called for greater rights for such specialists, Ovechkin, writing

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****22 December 1960**

in Rural Life, added sarcastically, "This has been needed for a long time. But when and by whom will this be implemented?"

Ovechkin devotes most of his attacks on the Ministry of Agriculture, and Matskevich in particular, to the weed problem in the New Lands--one which has resulted from the shortsighted policy of pushing the area to capacity. Other recent articles have also given considerable attention to the need for fallowing, indicating that the constant pressure for grain production threatens the future of the New Lands as a grain area. These articles call for periodic fallowing--with an implied reduced grain acreage--in order

to control weeds, conserve moisture, reduce wind erosion, and achieve more stable grain yields.

The 1961 plan, however, proposes an expansion of total crop acreage, with additional virgin lands being brought under cultivation in the eastern regions. In view of this new development, the recent criticisms, and the poor showing in the New Lands this year, however, it is likely that implementation of plans for expansion and other aspects of the program will be discussed at the central committee's agricultural plenum--originally scheduled for 13 December--when it convenes in January.

25X1

25X1

SECRET

Page Denied

25X1

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****22 December 1960**

25X1

ALBANIA RESISTS BLOC PRESSURE

Despite evidence of continuing bloc pressure on Albania, Tirana apparently has refused to modify the basic policies and attitudes which have brought it into conflict with Moscow. Meeting on 19 and 20 December, the Albanian party central committee issued a resolution that stresses bloc unity but is noncommittal on ideological and policy issues that have been in dispute and were the subject of long discussion at the Moscow conference of world Communist leaders. Albanian leaders may believe that by evading these issues they can avoid antagonizing Moscow and still not encourage pro-Soviet elements in the Albanian party.

The central committee also announced that the long-awaited fourth party congress would begin on 13 February. Originally scheduled for November, the congress was put off in early October until December because of the then forthcoming Moscow conference.

The central committee resolution supports the Moscow declaration's statement that the USSR is the "outstanding vanguard" of the international Communist movement, and stresses that the unity of the Soviet and Chinese Communist parties is essential to the unity of the

world movement. The resolution lacks the typical Albanian aggressiveness when it deals with the "threat of imperialism" or with Yugoslav "revisionism."

In terms of what the resolution says, Tirana has been more moderate than in the past. However, the failure to discuss certain important issues reflects the regime's refusal to renounce its basic attitudes and policies. The resolution does not mention disarmament or dogmatism, and it glosses over the question of "peaceful coexistence"--prime points of disagreement between Moscow and Tirana. Furthermore, the resolution states that Albanian policy in general has always been consistent with the Moscow declaration--implying that the regime intends to adhere to certain of its basic policies. It reiterates a long-standing position that it is the "indispensable task" of every Communist party to continue to "unmask" the Yugoslav "revisionists."

Tirana may hope that the resolution will forestall further bloc criticism. Just prior to the Albanian central committee meeting, East German boss Ulbricht, speaking at an SED central committee meeting, said the Albanians had pursued a "dogmatic and sectarian" line at the Moscow conference. This

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960

charge, published in Neues Deutschland on 18 December, is the first public criticism of one satellite leadership by another..

Thus far neither Moscow nor the European satellites have repeated Ulbricht's attack on Albania, but Ulbricht probably would not have taken such a drastic step without Moscow's close coordination. His crit-

icism, therefore, could be the signal for a bloc-wide campaign to attempt to force Tirana back into line. The bloc's general silence, however, suggests Ulbricht merely intended to serve notice on Tirana of the seriousness with which Moscow views the Albanian positions and to indicate that the bloc is prepared to go even further to isolate and discredit the Albanian regime if necessary. 25X1

NORTH KOREA TO START NEW SEVEN-YEAR PLAN

Pyongyang has announced the completion of its First Five-Year Plan (1957-61) a year ahead of schedule. Industrial output in 1960 rose 16 percent over 1959, and sizable increases were achieved in the output of iron, steel, coal, cement, and chemical fertilizer. The value of industrial production and output of individual products, except for textiles and possibly electric power, reached or exceeded levels originally scheduled for 1961.

Industrial performance actually approached these levels in 1959, after two years of heavy investment in plant facilities and an intensive drive for increased output. The drive caused strains and imbalances in the economy, however, and Pyongyang designated 1960 as a "buffer period" for consolidation gains rather than expansion. Investment in 1960 was concentrated on farm mechanization, the chemical-fiber and mining industries, housing, and the maintenance and overhaul of existing installations.

Good weather and a large increase in grain acreage con-

tributed to a record grain crop of 3,803,000 tons, somewhat greater than that of 1958--the best previous year--and slightly above the goal for 1961. Increases were also reported in the output of vegetables and industrial crops and in the number of livestock. Special emphasis on farm mechanization brought large increases in inventories of tractors, trucks, trailers, combines, and other farm machinery. Mechanization levels, according to Pyongyang, have reached over 90 percent for plowing, 40 percent for interim cultivation, and 80 percent for rural transportation work.

The emphasis on agriculture is to continue for the next three years, during which time mechanization is to be completed, sown acreage expanded further, and cultivation techniques improved. Cooperatives have been given more authority in directing farm operations, and the state will provide more support in the way of machinery, technical assistance, and material incentives for the peasants. These programs, with good weather and more fertilizer, should bring continuing increases in farm

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****22 December 1960****NORTH KOREAN PRODUCTION CLAIMS AND TARGETS**

	1959	1960	5-YEAR PLAN GOAL (1961)	7-YEAR PLAN GOAL (1967)
GROSS VALUE OF INDUSTRIAL PRODUCTION (BILLION WON)	1.8	2.08	1.6	7 +
PIG IRON (THOUSAND TONS)	694	900 +	900	NA
CRUDE STEEL (THOUSAND TONS)	451	670 +	670	2,500
FINISHED STEEL (THOUSAND TONS)	331	500 +	500	NA
ELECTRIC POWER (BILLION KWH)	7.8	NA	9.7	17
COAL (MILLION TONS)	8.8	10	9.5	23 +
CEMENT (MILLION TONS)	1.9	2.27	2	4.3
CHEMICAL FERTILIZER (THOUSAND TONS)	515	650	630	1,500
TEXTILES (MILLION METERS) (COTTON & SILK)	158	187	200	500
GRAIN (MILLION TONS)	3.4	3.8	3.76	9.5 +
MARINE PRODUCTS (THOUSAND TONS)	NA	690	650	1,500

01220 2

22 DECEMBER 1960

will be on developing light industry, mechanizing farm work and making "dramatic improvements" in the quantity and quality of consumer goods. The "second stage"--1964-67--will see a return to emphasis on heavy industry and a "decisive" expansion of such key industries as electric power, mining, chemicals, and machine building.

Goals set by the new plan indicate that the regime has changed its approach to eco-

output, but it is doubtful that the increases will match the regime's goal of more than doubling grain output by 1967.

With industrial output restored to 1944 levels, the regime has announced an ambitious seven-year plan to start next year and extend through 1967. The new plan is designed to make North Korea an "advanced industrial state," with 1967 per capita output of basic industrial products to be substantially above the Japanese level of 1959 and comparable with the Soviet level of 1958.

During the "first stage"--from 1961 to 1963--the emphasis

will be on developing light industry, mechanizing farm work and making "dramatic improvements" in the quantity and quality of consumer goods. The "second stage"--1964-67--will see a return to emphasis on heavy industry and a "decisive" expansion of such key industries as electric power, mining, chemicals, and machine building.

Goals set by the new plan indicate that the regime has changed its approach to economic planning. It has given up straining for startling but unrealistically high production targets, as it did during 1958 and 1959, and has adopted a more cautious and deliberate approach to economic development. Industrial output is to increase at an average annual rate of 14 percent during the plan period--approximating the 16 percent claimed for 1960 but less than half the 40 percent achieved annually from 1954 to 1959. The new targets are ambitious in themselves, however, and their fulfillment by 1967 would probably put North Korea ahead of Japan in industrial output per capita. (Prepared by ORR)

25X1

IMPROVED SINO-INDONESIAN RELATIONS

Sino-Indonesian relations, which have been periodically strained during the past 18 months, have recently improved. Representatives of Peiping and Djakarta signed an accord on 15 December establishing procedures

to carry out the long-delayed Sino-Indonesian nationality agreement. The treaty, which was signed in 1955 and is intended to end the dual nationality of Overseas Chinese, requires Indonesian Chinese to

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960

choose either Indonesian or Chinese citizenship within the next two years.

The recent accord may have been hastened by Indonesia's unilateral announcement in late November--after prolonged disagreement on implementation procedures--that it considers 20 January 1962 the deadline for citizenship declarations by local Chinese.

Difficulties between Djakarta and Peiping have been provoked largely by differing policies with respect to Indonesia's Chinese population of some 2,500,000 to 3,000,000. Strained relations in 1959 and 1960 were caused chiefly by Peiping's resistance to an Indonesian ban on alien--mostly Chinese--rural retailers. Indonesian Foreign Minister Subandrio stated on 15 December, however, that the two countries need each other in the fight against colonialism, and that differing opinions do not necessarily indicate a dispute.

Peiping seems to have lost interest in repatriating those Overseas Chinese who are dissatisfied with conditions in Indonesia. Last December a Peiping spokesman said the Chinese were ready to undertake the repatriation of 600,000 Chinese in 1960, but by March Peiping had decided that, because of the problems in resettling such a large number, the bulk of Overseas Chinese should

remain in Indonesia to "contribute to its national construction." Only 60,000 have returned, partly because Peiping did not send enough ships and partly because the first repatriates' disappointment with mainland conditions discouraged others. Peiping halted its abusive propaganda campaign against Indonesia in August.

Reportedly at Peiping's urging, Indonesia is negotiating a long-standing Chinese credit offer of \$30,000,000. The offer was extended in 1958 but was ignored by both parties during the period of strained relations. The loan reportedly will be used largely for textile machinery.

Indonesia appears to be giving priority foreign policy attention to its claim to Netherlands New Guinea and to more active participation in Afro-Asian affairs. Apparently it wants to resolve problems with China, at least superficially in order to permit increased concentration on these other matters. Peiping, having found Indonesia adamant on problems concerning the Overseas Chinese, apparently believes further resistance on the issue is of relatively little political value either among Indonesia's Chinese population or vis-a-vis Djakarta and will pursue a friendly policy for the immediate future. Peiping has resumed strong support for Indonesia's claim to New Guinea.

25X1

NEPAL

King Mahendra is rapidly consolidating his hold on the organs of government in the wake of his dismissal of Nepal's first elected government on 15

December. The army, through which the King apparently intends to rule, is reported loyal and is maintaining order; the populace has apparently accepted

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****22 December 1960****KING MAHENDRA**

the King's actions, although some grumbling is beginning to appear. Most of the country's leading political figures, encompassing the whole political spectrum, were initially detained; some have since been released, but their movements are restricted. The King apparently intends to rule directly for at least six months.

The initial effect of Mahendra's actions will be to stall most nonessential governmental activities for a period of time. Because of the King's own shortcomings as a leader, his takeover will afford the Communists additional opportunities, in time, to exploit the increasing political unrest and economic deterioration which will probably ensue.

Mahendra's motive in personally assuming power was his dissatisfaction with the Koirala government's lack of progress and with what he considered failure to maintain order. Mahendra sees his action, in fact,

as rescuing rather than ending the country's year-old democratic experiment.

It is apparent, however, that the King feared the popular Koirala would one day eclipse the monarchy. The timing of the action may, in fact, have been dictated by reports

25X1

25X1

that the Nepali Congress party was planning to replace the monarchy with a republican form of government. Koirala and members of the cabinet are reportedly to be tried on a charge of conspiracy to overthrow the monarchy.

25X1

The only important cabinet member to escape detention is former Deputy Prime Minister Subarna Shumshere, who was in India on 15 December. Although he reportedly plans to stay on in Calcutta for a while, he may be asked by the King to take part in the council of ministers which the King plans to establish. Subarna has served in this capacity during previous periods of palace rule.

New Delhi continues to be greatly disturbed by the sudden dismissal of the Koirala government, which had enjoyed full Indian support, and the assumption of direct rule by Mahendra,

25X1

While critical of the King's actions and pessimistic about prospects for a speedy restoration of democratic institutions in Nepal, New Delhi is apparently following a wait-and-see policy pending clarification of the King's intentions.

25X1

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****22 December 1960****ETHIOPIA**

The coup against Emperor Haile Selassie by the elite Imperial Bodyguard and police apparently was poorly planned and began to falter after the first few hours on 14 December. The rebels seized control of Addis Ababa and arrested all top government officials there, but they failed to gain the support of army and air force units in the capital and won no significant backing outside the city. Forces loyal to the Emperor quickly reacted and, aided by fighting among Bodyguard factions, regained control of the capital by late 16 December.

The crown prince, who favors a constitutional monarchy; was associated with the plot--even if he acted under duress. He therefore has probably lost all chance of succeeding to the throne with the Emperor's blessing, and may face exile to a remote area of the country.

All but two known leaders of the coup are dead, and their followers are rapidly being rounded up.

The plotters apparently sought personal aggrandizement and in order to elicit support from officers, utilized the widespread discontent in the Bodyguard over pay. They appealed to the younger, educated Ethiopians in the government and military services with promises of a liberal parliamentary regime under the crown prince which would put Ethiopia into the modern current of African nationalism.

The Emperor is taking severe retaliatory measures against all those involved--particularly in view of the murder by the plotters of at least 7 of 19 ministerial officials after the coup's failure became apparent. The participation of the progressive, educated factions in the coup is likely to lead to the removal from influential positions of most of the younger government officials. This will be a severe blow to administrative efficiency and set Ethiopia back to a considerable degree, with the reactionary elements assuming even greater influence in the government. The Emperor is not likely to initiate far-reaching reforms, but he may permit gradual increase in parliament's power.

25X1

25X1

MIDDLE EAST DEVELOPMENTS

During the past few days, Arab newspapers have begun a major propaganda campaign against Israeli activity in nuclear weapons development. The Arab press reaction includes strong attacks

against France and the United States for aiding the Israeli effort.

Arab press coverage began on 17 December when Beirut

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****22 December 1960**

newspapers picked up a story carried the day before in the London Daily Express. Amman radio on 19 December suggested that the report that Israel was making an atomic bomb might have been planted by Tel Aviv as a psychological warfare measure. Amman added, however, that the Arab states must "base their offensive and defensive policies on the assumption that if Israel does not have the bomb now, it may have it in the future."

The Cairo newspaper Al-Ahram, which is edited by a confidant of President Nasir, rounded up Western press reporting on the subject and said that if Israel's production of an atomic bomb is merely talk in other capitals, "it constitutes in our Arab capitals a question of life or death." The paper claimed that if Israel does get an atomic bomb, the UAR will get one too, "whatever the price." Baghdad radio has asserted that all the "imperialist states," and not France alone, are responsible for helping Israel develop an atomic bomb.

Lebanese press commentary has been typically impetuous. One paper advises that the problem immediately be raised at the United Nations. Another suggests that the time is fast approaching for Arab military action against Israel; it also urges the UAR to "carry out the necessary contacts with the Soviet Union to obtain atomic bombs, because we cannot afford to allow the balance of power between us and the enemy to be disturbed in such a dangerous manner." Prime Minister Salam, replying on 20 December to questions members of the Lebanese parliament, said that his cabinet shared their concern over "this latest Zionist menace" and was consulting with other Arab governments about appropriate countermeasures.

Radio Moscow, in Arabic broadcasts, has accused the Western powers--and particularly the United States--of responsibility for "placing atomic weapons in the hands of Israel." The Soviet broadcasts allege that this is an attempt to use Israel, "the only pillar for the United States in the Middle East," to frighten the Arab and African peoples and "compel them to give up the struggle for freedom and national independence."

The Israeli Atomic Energy Commission has denied that Israel is engaged in the production of atomic weapons and has claimed that its nuclear research program is intended only for the purposes of industry, agriculture, medicine, and science. Prime Minister Ben-Gurion stated on 21 December that the "so-called secret" reactor being built in the Negev is "dedicated entirely to peaceful purposes" and is due for completion in three or four years. 25X6

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960

25X6

Nevertheless, the Sudan's policy toward the Congo so far remains at variance with that of the UAR. Both Abboud and Foreign Minister Khayr have told Western officials they intend to continue to support the UN role in the Congo and, do not intend to allow military equipment for the pro-Lumumba forces in Orientale Province to cross Sudanese territory.

Lebanon

Saib Salam's 18-man cabinet in Lebanon appears to be nearing the end of its tenure as personal animosities and clashes of interests become more and more pronounced. After the state budget is approved by Parliament in January, a new and much smaller cabinet probably will be constituted under Salam.

The frequency of cabinet stresses and strains, as well as a continual sniping at the government in Parliament, have renewed rumors that President Shihab is again turning toward the idea of dissolving Parliament and, with army support, ruling by decree. Although Shihab is a great admirer of discipline and is contemptuous of politicians, it is doubtful that he is ready at this time to end parliamentary democracy in Lebanon. Rumors to this effect may have been purposely floated by Shihab's confidants in order to pressure recalcitrant politicians into a more cooperative attitude.

Salam, along with other politicians, would be sure to

Sudan

The Abboud military regime is still holding firm in the face of continuing pressure by its political opposition.

Domestic political difficulties have been partly responsible for the military government's gradual shift away from strong Western ties and toward a position of strict neutrality. The example and influence of UAR President Nasir has also had a considerable impact on Abboud and several other key Sudanese officials.

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960

resist such a move, since loss of parliamentary seats would cost them money as well as political prestige. However, Shihab might suspend Parliament as a timely warning to the deputies.

Iran

The Iranian Government is rapidly and quietly concluding its preparations for parliamentary elections, which the Shah plans to begin this week. Efforts are being made to keep public interest in the elections at a low level so as to reduce the possibilities of disturbances. No opportunities are being given independents to arouse the public, as occurred during the abortive elections last August.

25X1

POLITICAL TENSIONS IN ITALY

Protracted negotiations to form municipal governments in important Italian cities are heightening tensions within the coalition supporting Premier Fanfani's Christian Democratic government. In several cities --including Rome, Milan, Genoa, Venice, Florence, and Palermo-- the 6-7 November local elections did not give the coalition parties a majority, and the Christian Democrats and the left-of-center supporting parties are seeking alliances with the Nenni Socialists. The Liberal party and right-wing Christian Democrats

are bent on preventing any nationwide pattern of alliances with the Nenni Socialists and may use disagreements over foreign policy as an excuse to overthrow the Fanfani government.

For this reason the Christian Democrats are playing down the national political significance of local alignments with Nenni. Nenni, on the other hand, is stressing their importance in order to convince his own party's left wing that his policy of independence from the Communists is paying off. His motion

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

22 December 1960

for collaboration with the government party was approved by the Socialist directorate and central committee only after sharp dispute, and Nenni and his supporters fear that failure to achieve such local alliances in important areas would hurt him vis-a-vis the Socialist left wing at the forthcoming party congress.

Nenni has also been pressing for collaboration in the Sicilian regional government with the Christian Democrats, who, despite their pledge not to ally with neo-Fascists in city governments, continue to participate with them as well as the monarchists in the Sicilian regional administration.

In January 1960 the Liberals, fearing a Socialist - Christian Democratic alliance at the national level, and probably encouraged by right-wing Christian Democrats, precipitated the fall of the Segni government by withdrawing their support, ostensibly because of their disapproval of President Gronchi's trip to Moscow. The Liberals may seize on

some new issue to tumble the government before a deal is made with Nenni.

The Italian vote against the Algerian resolution in the UN Political Committee on 15 December reportedly was the subject of sharp disagreement within the cabinet. Italy voted for the "anticolonial" resolution on 14 December, and Fanfani apparently felt that on the Algerian vote Italy should take a position somewhat critical of France, possibly by abstaining. Foreign Affairs Minister Segni hastened to Rome to argue with Fanfani.

Another possible ground for attack on the Fanfani government by the Liberals and right-wing Christian Democrats was the recent decision of the government holding company, IRI--at the behest of Labor Minister Fiorentino Sullo--to settle a labor dispute directly with the unions. Previously IRI had coordinated its approach to the ^{25X1} unions with the Italian association of manufacturers, Conf-industria.

FINLAND AND EFTA

President Kekkonen's willingness to make substantial trade concessions to the USSR in return for Soviet acquiescence in Finland's participation in the European Free Trade Association (EFTA or Outer Seven) has confronted EFTA with a major dilemma. Association with EFTA--full membership is not envisaged--would strengthen Helsinki's economic and political ties with the West, an objective which the Seven desire. Several EFTA members fear, however, that submitting to Moscow's present

terms for Finnish-EFTA association would expose them to renewed Soviet pressure for similar trade concessions.

Under the agreement negotiated in Moscow on 25 November, Soviet exports to Finland would receive the same tariff preferences Finland grants its EFTA partners and by 1970 would be tariff-free. This is in substance the most-favored-nation treatment which EFTA countries heretofore have refused the USSR--a position they had hoped

SECRET

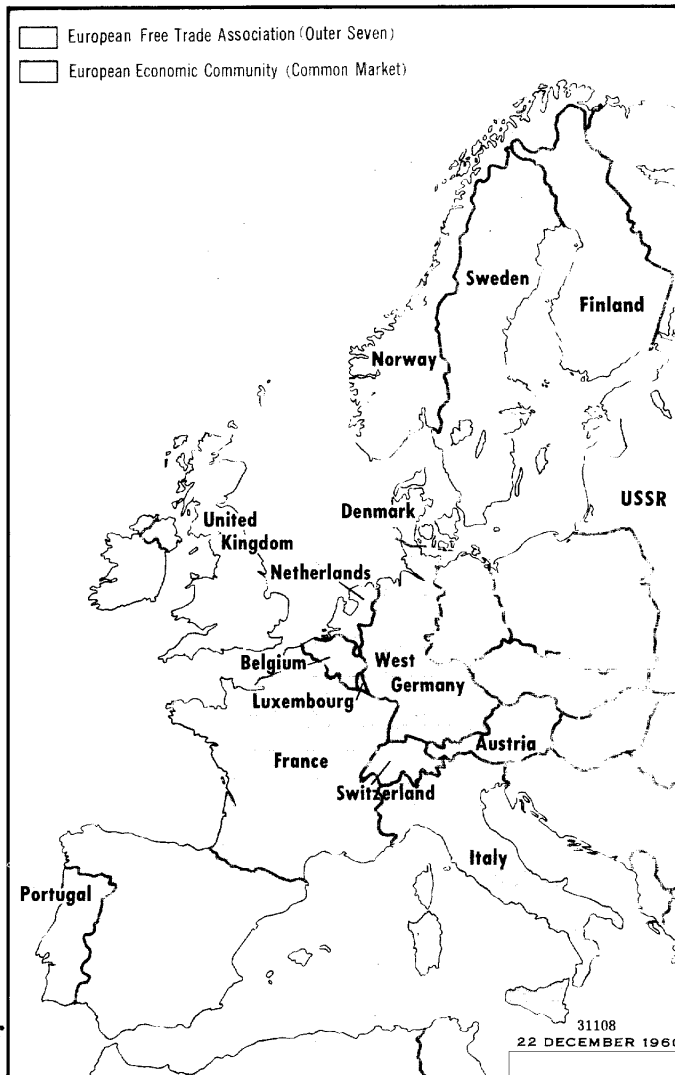
SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

22 December 1960

Kekkonen would also uphold. Legally, Helsinki cannot give the Soviet Union such a privileged, one-sided participation in the benefits of EFTA without a waiver of commitments under the General Agreement on Tariffs and Trade (GATT), requiring a two-thirds vote of the GATT members. Practically, the other EFTA countries could not follow the Finnish example without endangering the workability of their organization.

The Seven are apparently conditioning further consideration of Finnish association both on obtaining the needed GATT waiver and on finding some safeguard against possible Soviet demands on each of them for most-favored-nation treatment. Austria feels particularly vulnerable to such a Soviet demand. Other members fear that EFTA--already hard put to keep abreast of the Common Market--would be further slowed in its development by Finland's comparatively weak economy. Political fears are reflected in the remark of a top official of EFTA that Finnish association would be a Trojan horse which Moscow would exploit to prevent any broader Western European grouping.

Probably because Kekkonen's prestige is directly involved in the question, Finland is pressing for early action by EFTA--arguing that Moscow might



25X1

reverse itself and lay down even more exacting conditions for Finland's association. Any protracted delay in admitting Finland would tend to revive discussion in Finland over the practical value of the "concession" Kekkonen obtained from the USSR. If EFTA should insist on Finland's seeking new terms from Moscow, he would probably charge EFTA with lack of understanding and appreciation of Finland's special position between East and West.

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****22 December 1960****ARGENTINE POLITICAL UNREST**

President Frondizi of Argentina has continued under pressure from the army since the political crisis set off in mid-October by army complaints over a number of his policies and advisers. The calming effect of Frondizi's actions re-emphasizing his strong opposition to Communism and to any Peronista resurgence--the army's main fear--was undercut on 30 November by the brief Peronista attacks in two provinces which seemed to indicate plans for a larger uprising.

The attacks--by small bands mainly of civilians led by retired officers--at least temporarily thwarted the administration's plans for gradual relaxation of various unpopular emergency measures, including the two-year state of siege. The attacks also helped justify Army Commander in Chief Toranzo Montero's unbending attitude toward all aspects of Peronism and may further strengthen his position in the army. His prestige had been lessened by the severe crisis in mid-October. He probably influenced the 5 December decree banning all activities by the Justicialista party, which replaced the outlawed Peronista party.

The police have also stepped up closure of Communist fronts. Communist party activity was officially banned in April 1959 following street riots in Buenos Aires. The foreign minister suggested in November that the six Soviet bloc diplomatic

missions in Buenos Aires reduce their personnel to a level more in proportion to that maintained by Argentina in the bloc. The government also closed local offices of the Cuban propaganda agency Prensa Latina, precipitating a hemisphere-wide campaign by that agency against Frondizi.

The armed forces are maintaining strict security measures while making a thorough investigation to determine whether there are plans for a broader Peronista uprising. This precaution has been encouraged by the rebellious statements of Peronista leaders and by the discovery of caches of explosives.

The military are also concerned about Castroism, which they consider a new form of Peronism with the added danger of close ties with the Communist bloc. The fact that a number of important Peronista leaders live in Havana heightens fears that Che Guevara may try to export the Castro revolution to his former homeland.

The Peronistas are still split, with some ignoring Peron's orders from exile in Madrid, and there is no indication of Cuban involvement in the recent attacks.

25X1

25X1

* * *

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960

PART III

PATTERNS AND PERSPECTIVES

CUBAN OPPOSITION TO THE CASTRO REGIME

The Cuban opposition to Castro at present includes a large number of groups, both inside and outside Cuba, ranging from organizations of former Batista associates to those of disillusioned ex-supporters of Castro. While the opposition has grown rapidly in recent months, it is not at this time a serious threat to Castro's position.

Despite the disorganization of Castro's opponents and recent increases in the regime's military strength the government is becoming concerned about the boldness of the counterrevolutionaries. In the past it sought to play down public references to internal opposition, concentrating instead on preparing the people for an alleged invasion by American troops or by US-backed Cuban "war criminals." In recent months, however, government leaders have openly admitted that the growing tide of anti-Castroism in Cuba is becoming a force to be reckoned with.

On 28 September Castro publicly called for the establishment of a bloc warden informant network in cities and towns as another instrument to combat "counterrevolutionary intrigue." In a speech on 15 October, Fidel Castro publicly acknowledged for the first time that Manuel Ray Rivero, once minister of public works in Castro's cabinet and now a leader in anti-Castro circles, was the head of a counterrevolutionary group. National Bank President Che Guevara, speaking in Moscow on 10 December, declared, "Counterrevolutionary terror will be met with equal terror."

Former Batista Associates

While there has been little evidence that ex-dictator Fulgencio Batista is actively trying to regain power in Cuba, several of his close associates who escaped into exile when his government fell were probably the first to establish organizations dedicated to ousting Castro. Such groups usually have formed around one man and consist primarily of mercenaries, opportunists, and supporters of the former dictator. Their effectiveness has been limited by their past association with Batista; they are discredited among other anti-Castro exile groups and have little appeal to Cubans at home.

25X1

SECRET

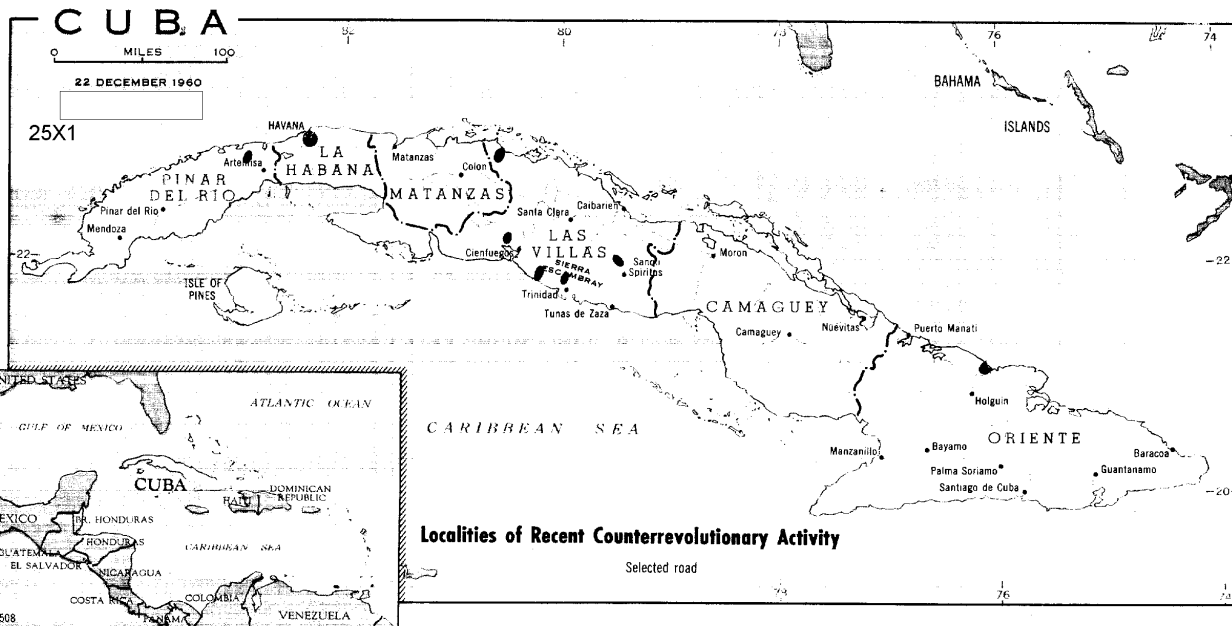
SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

22 December 1960

25X1

Former Castro Associates

Much of the active opposition to Castro consists of disillusioned ex-supporters, many of them former military and civilian leaders of the Castro regime. It includes several dozen groups with varying degrees of formal organization as well as an unknown number of individuals and small bands. Some are based in Cuba, some in other Latin American countries, and some in the United States; all have found their efforts greatly limited by a



25X1

lack of coordination, a shortage of money and military equipment, a lack of suitable staging bases, and a failure to come up with a leader possessing a measure of Fidel Castro's appeal.

A further handicap has been the failure of much of the opposition to come up with well-defined political and economic programs which would have sufficient appeal to win support among Castro's present backers. Those groups having adequate

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960

programs lack the means of communicating them to the Cuban people. Despite reports of increasing discontent among peasants and other low-income groups--the broad base on which Castro's power was built--such disenchantment has yet to become critical.

Efforts to unify the opposition have generally been unsuccessful because of ideological differences, personal feuds, and the desire of many individuals to be the star performer. A fear and mistrust of other groups--which is natural, in view of Castro's known past successes in infiltrating and trapping rebel organizations--is also present in each organization and has hindered their amalgamation.

Perhaps the most important anti-Castro group having its main base in Cuba is the Revolutionary Movement of the People (MRP), headed by Manuel Ray Rivero.

Province, [REDACTED]

The largest anti-Castro organization with headquarters outside Cuba is the Democratic Revolutionary Front (FRD), headed by former Prime Minister Antonio de Varona. Formed in Mexico in June 1960, the FRD attempted to weld the chief anti-Castro groups into a single organization. Although many counterrevolutionary groups did not affiliate with it, the FRD successfully united several of the larger, established organizations.

Included in the organization are: the so-called "Authentic" branch of the Cuban Revolutionary party, an established political party which opposed Batista and joined with Castro; the Movement for the Recovery of the Revolution (MRR), an opposition group formed by former Castro supporters and soldiers who became convinced that Castro had "stolen" their revolution; the Christian Democratic Movement (MDC)

Opposition circles have commented that Ray's organization is growing in strength and effectiveness, but his escape to the United States in mid-November might reverse this trend. MRP forces are included in the counterrevolutionary groups still harassing government troops in the Sierra Escambray area of Las Villas

Former Education Minister Aureliano Sanchez Arango's so-called "Triple A" group--an organization of Catholic and business interests first formed at the University of Havana to fight the Batista dictatorship--was also a charter member of the FRD, but it left the organization following Sanchez Arango's

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960

withdrawal from the FRD in October and joined his new five-group "United Front for National Liberation."

in early August and mid-November resulted in outbreaks of violence in some areas between churchgoers and government goon squads.

25X1

The value of church opposition to Castro, however, is more symbolic than real. The church hierarchy itself is divided on the Castro issue, and the government is lionizing a pro-Castro group within the church which calls itself "With the Cross and the Fatherland." Although about 85 percent of all Cubans are nominally Catholics, the church probably is weaker in Cuba than in any other Latin American country. For these reasons, many church officials have sought to forestall the church-state showdown which now appears imminent, fearing that any open and complete break with the regime might lead to a mass desertion from the church by lower income groups.

There is a variety of lesser organizations formed by former supporters of Castro now operating within and outside of Cuba. Most of them are small; have limited appeal, resources, and effectiveness; and serve principally as vehicles for their leaders to enhance their own reputations.

Considerable opposition to Castro has been manifested among university students, teachers, and professional groups in Cuba. Catholic university students--many of whom are members of the semiclandestine Christian Democratic Movement--were among the first groups to criticize authoritarian controls over student activities and the insertion of Communism into Cuban education.

Religious, Professional Groups

Leaders of the Catholic Church in Cuba have become increasingly critical of the regime's pro-Communist policies since the archbishop of Santiago de Cuba first spoke out against the Communist "enemy within our gates" in a widely publicized pastoral letter in May. Issuance of other pastoral letters

US Embassy sources continue to report an atmosphere of "smoldering resentment" among the majority of the student body at the University of Havana, stemming from the government's use of police state methods in bringing the traditionally autonomous institution completely under state control. At least 123 of the university's professors have been suspended

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

22 December 1960

as "unacceptable" to the new Castro-controlled university governing body, and many others are known to have either resigned or been informally dismissed.

A similar situation is believed to exist in other Cuban colleges and universities. The National Bar Association has openly condemned the government's seizure of the Havana Bar Association headquarters in July, and disaffection within the judiciary over the regime's disregard for constitutional guarantees became public in mid-November when Chief Justice Emilio Menendez and other members of the Supreme Court resigned.

Outlook

The diverse opposition groups are generally aware of their shortcomings and will try to achieve joint action

against Castro. The regime probably will be increasingly harassed by sabotage and terrorist activities, and possibly by attempted incursions by exile groups.

The counterrevolutionary forces still have formidable obstacles to overcome before they can constitute any serious threat to Castro's position --particularly in view of the increasing strength of his instruments of popular repression. The government's 200,000-man revolutionary militia, which has virtually supplanted the traditional armed forces, is controlled by a politically reliable hard core and is daily gaining in effectiveness. Moreover, despite the questionable reliability of some components, the militia's manpower and firepower still greatly exceed those known to be available to Castro's opponents.

25X1

* * *

SOVIET MONETARY REFORM

Beginning on 1 January 1961 the Soviet Government will carry out its second comprehensive monetary reform since World War II. A new currency will be introduced at the rate of one new ruble for ten old, and domestic prices will be revised accordingly. Foreign exchange rates will be recalculated on the basis of a new gold content for the ruble, which will provide a more realistic measure of the relative purchasing powers of the ruble and the dollar.

By these actions the regime apparently hopes to simplify accounting procedures and increase respect for the ruble domestically, while garnering some measure of prestige among the unsophisticated abroad with claims that the ruble is a

sounder currency than the US dollar. Unlike the 1947 reform, which considerably altered the distribution of real wealth among the people, the forthcoming exchange, as announced, is not intended to be confiscatory. However, one result of the action will be to render valueless the illegally held hoards of Soviet money, especially outside the USSR.

Mechanics of the Reform

When Khrushchev announced the reform early in May, he hastened to counter the public recollection of the confiscatory measures of 1947 by explaining that neither the state nor the populace would suffer any losses. Similar reassurances have appeared in the Soviet press,

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960

which has featured numerous detailed articles on the subject.

The exchange of currency will take place during the first three months of the year. During this period both old and new currencies will circulate, with the former being gradually withdrawn through direct exchange at over 30,000 centers set up by the State Bank in factories, construction sites, post offices, and other locations throughout the country. An official of the State Bank recently stated in the newspaper Soviet Russia that bank employees would exchange money in any amounts without making any entries or asking for identification.

Considerable publicity has been given to the extensive preparations being made for the rescaling of prices, presumably to counteract popular concern about this feature of the reform. The ministers of trade in the union republics have been made responsible for correctly recalculating prices, and managers of individual organizations are charged with recalculating wages. According to an official of the Ministry of Finance, new price lists for more than a half million commodities were to be distributed last month throughout the Soviet retail trade network.

The rescaling of prices simply follows the ratio of the ruble re-evaluation and thus merely involves the "reduction" of prices and accounts to one tenth their current levels. The division, however, will result in fractional losses either to the government or to the consumer, depending on whether the necessary rounding of figures is upward or downward. The government has sought through detailed explanations to assure the public that even this potential irritant, however minor,

will generally be resolved in favor of the consumer.

The new bank notes will be issued in all major denominations from one ruble to 100 rubles. Coins will be minted in denominations from a single kopeck (100th of a ruble) to 50 kopecks; new one-ruble and 50-kopeck coins will also be issued.

Soviet Public Reaction

Despite official reassurances, the public remains apprehensive, apparently suspecting that the reform will be accompanied by unannounced measures of a restrictive nature. This lack of confidence has been revealed by the reported willingness of speculators in Moscow to pay up to 90 rubles--compared to a more "normal" 20 to 30--for the dollar (the official exchange rate is four rubles to the dollar). Soon after Khrushchev announced the reform, a Soviet newspaper admitted that there had been runs on the jewelry stores by customers wishing a more reliable exchange commodity than the suspect ruble.

Much of this activity is probably the result of transactions by speculators and others who have accumulated ruble fortunes they do not wish to expose, although there is undoubtedly concern among the ordinary citizens, who remember the confiscation in 1947 and virtual defaults on state loans through moratoriums since then.

The government expects certain domestic gains from the reform. The reduction of all accounts and monetary transactions by a zero will improve Soviet financial operations, which on the national level now handle sums in the trillions of rubles, and will facilitate the application of high-speed computers. The use of coin-operated vending machines, which have appeared in growing numbers

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****22 December 1960**

in recent years, will be broadened by a subsidiary currency of higher value. For example, a pack of cigarettes, which under the old system cost two and a half rubles, for which no single coin was available, will be available for one 25-kopeck piece.

The regime also recognizes the importance of maintaining popular confidence and regard for the value of currency in lower denominations; as Khrushchev told an audience after the reform, "You will not pass by a kopeck lying on the pavement, but will bend down and pick it up because this means a box of matches."

ing. The new ruble has only a theoretical foreign exchange value of slightly more than the US dollar. It is not a convertible currency and is not used as a means of payment in international trade, nor may it be transferred into or out of the USSR. The assignment of a higher gold content for the ruble has no direct bearing on domestic prices, which for the most part are politically determined. For foreign trade purposes prices are set at levels prevailing in the free world, adjusted, if necessary, for reasons of policy or bargaining.

Additionally, the announced less-than-fivefold increase in

SATELLITE CURRENCIES AND EXCHANGE RATES

COUNTRY	MONETARY UNIT	PRESENT RATES			POSSIBLE RATE AFTER 1 JANUARY 1961 (UNITS PER NEW SOVIET RUBLE)			
		GOLD CONTENT (GRAMS)	COMMERCIAL RATE (UNITS PER US DOLLAR)	TOURIST RATE (UNITS PER US DOLLAR)	BASED ON NEW GOLD CONTENT OF RUBLE	BASED ON CURRENT TOURIST RATE TO US DOLLAR	BASED ON CURRENT TOURIST RATE TO SOVIET RUBLE	BASED ON ESTIMATE OF RELATIVE PURCHASING POWER
Albania	lek	.017773	50	150	55.56	107.00	100.0 to 111.0	NA
Bulgaria	lev	.130987	6.8	9.52	7.56	10.00	8.9 to 9.9	NA
Czechoslovakia	crown	.123426	7.2	14.34	8.0	15.90	11.6 to 12.9	12 to 16
East Germany	mark (DME)	.211568*	4.2	4.2	4.67	4.67	3.9 to 4.3	5 to 7
Hungary	forint	.075696	11.74	23.48	13.04	26.10	14.0 to 15.6	35 to 45
Poland	zloty	.222168	4	24	4.44	26.67	15.0 to 16.7	35 to 45
Rumania	leu	.148112	6	15**	6.67	16.67	9.7 to 10.8	NA

* At 4.2 DME \$1. This rate is being used although not as yet pronounced as official.

** Hard currency transactions only.

01221 2

22 DECEMBER 1960

International Importance

In November the government announced that the new ruble is to be assigned a gold content of 0.987 gram. The present ruble gold content is 0.222 gram, and that of the US dollar is 0.888; on the basis of gold parities, therefore, one new ruble will be equivalent to \$1.11. Soviet propaganda is acclaiming the new gold parity as a sign of its currency's growing strength and at the same time is seeking to discredit the US dollar.

However, this argument has little or no economic mean-

gold content of the ruble actually constitutes a devaluation of more than 50 percent when considered in terms of the new ruble's tenfold increase in internal purchasing power. There will be no immediate practical effect on the USSR's trade and aid programs outside the bloc, which will be simply recomputed on the basis of the gold content of the new ruble.

The monetary reform does, nevertheless, offer the regime certain tangible advantages. With the price decrease and revaluation of the official ruble exchange rate, the domestic prices of Soviet exports and

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960

imports as a whole will more closely approximate foreign trade prices in rubles. Thus the present practice of subsidizing exports and reaping profits on imports could be reduced or eliminated, and the pattern of foreign trade improved.

Prospects

Since the ruble is the accounting unit used in intrabloc trade, the more realistic measure of its relative purchasing power in terms of the dollar may lead the European satellites to revalue their own currencies. The recently reported "run" on stores and increased black-market trade in Bulgaria suggest that the public there anticipates such action. Unrealistic exchange rates between the bloc

countries have hampered recent attempts to combine their separate markets into a single market area for certain products. Moreover, the European satellites, like the USSR, have been plagued by their inability to determine whether their existing pattern of foreign trade is making an optimum contribution to economic growth.

While there is no evidence that the Soviet Union intends to introduce the ruble freely into international trade--which would require convertibility--the steps taken thus far are logical prerequisites to an extension of the ruble area, possibly by introducing ruble clearing accounts and ruble prices in bloc trade with underdeveloped countries.
(Prepared by ORR)

* * *

NEUTRALISM IN JAPAN

"It appears that the public is in a strong mood to consider seriously Japan's chances of maintaining a neutral stand in the cold war," wrote Shintaro Fukushima, pro-American publisher of the English-language newspaper Japan Times, on Japan's recent election day. "I am opposed to neutralism as proposed by the Socialist party. But I do not necessarily object to adopting neutralist policies. To put it more accurately, I wish we could, but we cannot follow a neutral course. I sincerely hope that the day will come when international circumstances will make it possible for Japan to maintain its own brand of neutrality. However, neutralism is still too early for Japan."

Most Japanese believe their nation's foreign policy should follow a more independent course. However, they disagree on how

far Japan should go in disengaging from its present military and economic relationship with the West. They disagree because Japan is pulled three ways in determining its relations with the rest of the world: by a need for free-world trade and defense assistance, by a non-Western culture shared with neutralist Afro-Asian nations, and by a traditional economic, racial, and cultural affinity for mainland China coupled with respect for Peiping's growing power.

The Japanese Government this fall has been reappraising the national interest in fear that Japan is becoming the "orphan of Asia," isolated from the Afro-Asian bloc by economic and security ties with the free world. The admission of 17 new African nations to the UN has evoked press comment on the emergence of "a substantial third force" which need no

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960



-- JAPAN TIMES, 20 NOV. 1960

longer passively accept "the fate forced on them by the Big Two." "What is essential for Japan," said an editorial writer in October, "is to be autonomous and say what it ought, instead of consulting America's pleasure."

The left-wing Socialists profess a program of "positive neutrality" and "equal friendship" with the US and the USSR. This program, however, has as one of its goals the eventual alignment of Japan with the "democratic and peace-loving nations" of the Communist bloc, and many intellectuals believe that even a Communist Japan could somehow be independent.

Pacifism is strong in Japan, springing from post-war fears of nuclear war and revulsion against militarism and bureaucratic, authoritarian government. The resentment and injured self-respect of the occupation period which was expressed in a revival of national, racial, and cultural pride now is expressed in reaction against alleged "dependence" on the United States.

The popular position that Japan should remain neutral and avoid rearming in the East-West power struggle is also reinforced by the economic appeal of "trade with both camps."

Attitudes of Power Groups

Prime Minister Ikeda and Foreign Minister Kosaka in the recent election campaign forthrightly defended the position that Japan's national interest is best guaranteed by cooperation with the US and the free world. However, a number of developments this fall have forced them to revalue Japan's relations with the neutralist Afro-Asian nations.

A Foreign Ministry official said in October, "Japan learned a lesson it would not soon forget" in the early meetings of the UN General Assembly. Japan, by joining in an abortive effort to modify the neutral nations' resolution favoring another Eisenhower-Khrushchev summit, compromised its relations with neutralist countries.

Following the close vote upholding the moratorium on admission of Communist China--the issue was again shelved but by a closer vote than in previous years--the government has shown signs of reconsidering its position before next year's vote. A conference of Japanese Far East chiefs of mission in July had agreed that the shifting balance of UN votes would require a thorough reappraisal of Japan's position in 1961.

The government has also shown sensitivity to evidence of neutralism within the Western bloc which the Socialists could exploit in attacking the government's pro-Western position. During the Japanese election campaign, conservative leaders were concerned by the fact that the Socialists interpreted a recent Congressional report on US policy toward Japan as an American admission that neutralism in Japan was inevitable. The Socialists have also interpreted recent policy debates in the British Labor party as evidence of a "growing tendency for

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

22 December 1960

neutrality even among the politically mature British people," which would "weaken the diplomatic stand of Britain and damage NATO."

The political parties divided sharply during the election campaign on the issue of neutrality. The conservative Liberal-Democratic party (LDP) advocated an independent foreign policy but argued that it is in Japan's interest to receive US aid in order to maintain the present balance of power in the Far East. The moderate Democratic Socialists promised an independent diplomatic and economic policy favoring neither the US nor the Communist bloc but rejecting "a neutrality which envisages a defenseless state and in effect means a pro-Soviet and pro-Communist China policy."

The Japanese Socialist party appealed to popular neutrality sentiment by proposing abrogation of the US-Japanese security treaty, recognition and admission of Communist China to the UN, unification and neutralization of Korea, orientation of Japan's trade toward mainland China, and opposition to military forces in Japan.

Voters returned the LDP to power and increased the party's representation in the lower house of parliament, but this victory reflects improved organization, the popularity of Ikeda's economic program, and traditional voting patterns rather than a mandate for the government's foreign policy.

Japan's attraction to mainland China and the illusion of sharing in the developing of Soviet Siberia often cause businessmen to overrate the advantages of an "economic neutrality" which would favor as much trade as possible with the Communist bloc, even though they recognize the importance to Japan's prosperity of trade with

the West. Many Japanese will admit that trade with China is not the solution to Japan's economic problems, but this fact is lost in the strong emotional approach which confuses cultural and religious factors with the economic situation.

For the present, a high demand for Japanese products in Western markets blunts pressure from business quarters for increased trade with Communist nations. After the break in trade relations with Peiping in 1958, some business leaders realized that trade with mainland China was not as important as they previously thought and recognized the risky uncertainties of politically controlled Communist commerce.

However, the government will continue to be pressed by representatives of small industry who remember prewar profits and believe there is still a vast market for consumer goods in mainland China, by businessmen who fear the future competition of Communist China's expanded production, and by some conservative leaders who believe Japan must "take out insurance" in the form of economic ties with the Communist nations in order to avoid complete reliance on Western trade.

The neutrality of Japan's largest labor federation, Sohyo, which supports the Socialist party and organized many of the antigovernment demonstrations last spring, is often difficult to distinguish from the Sino-Soviet line because of the Marxist orientation of many labor leaders. Sohyo has supported such Communist-front movements as the crusade against nuclear weapons in Japan and the campaign against US bases in Japan and Okinawa and has sided with Moscow on such other issues as Hungary, Suez, Tibet, the Taiwan Strait, and Korea. The development of a moderate

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

22 December 1960

labor movement in Japan which would devote organized labor's efforts wholly to labor affairs rather than to political struggles has been steady but slow.

Neutralism and pacifism are closely linked in the minds of the idealistic students who consider "freedom from military service" a basic right, who dread war, and who have grown up under a constitution which theoretically outlaws military forces. The students' attitude derives not so much from independent thought as from the peculiar blend of Marxism and pacifism learned from their teachers in which they found a one-package explanation of history and society.

The intellectual community is "remarkably intelligent but politically simple-minded," largely ignorant of the nature of the world power struggle but influenced by Marxism. A few "realists," however, simply point to the increasing power of Communist China as "a fact of life to which Japan must adjust"

and to the private beliefs even of government leaders that Japan cannot continue long without some form of political relations with its Communist neighbors.

Perhaps the greatest reservoir of anti-Communist sentiment lies in the traditionally conservative rural areas, which hold 40 percent of Japan's population. The rural community continues to support the LDP primarily because of continued prosperity, local improvements, and traditional suspicion of Communism and the USSR.

The ruling conservatives have maintained Japan's alliance with the West because of economic necessity, military vulnerability, and fear of Communism. However, popular pressure may force the government to loosen its ties with the West unless Western markets continue to receive Japanese goods and Western military power continues to be regarded as necessary and adequate to prevent Communist expansion in the Far East.

25X1

* * *

CONFIDENTIAL**SECRET**

Page Denied

SECRET

SECRET